

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6643

BILL NUMBER: HB 1667

DATE PREPARED: Mar 19, 2001

BILL AMENDED: Mar 19, 2001

SUBJECT: Retiree Insurance Coverage.

FISCAL ANALYST: Jim Landers, Jim Sperlik

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill: 1) specifies that a retired member of the Legislators' Retirement System who is receiving a salary from the state may not also receive a retirement benefit. (Current law provides that a retired member who is receiving compensation from the state for work in any capacity may not receive a retirement benefit under the legislators' retirement system.);

2) provides that a member of the Legislators' Retirement System may make a retirement fund investment selection or change a selection under rules established by the PERF Board and provides that the PERF Board shall allow a member to make a selection or change any existing selection at least once each quarter;

3) requires a retired member of the Legislators' Retirement System to begin withdrawing the member's balance in the Defined Contribution Fund no later than the required beginning date under the Internal Revenue Code;

4) provides that the valuation of a member's balance in the Defined Contribution Fund for a member of the General Assembly who terminates service shall be the fair market value of the member's account on the last day of the quarter preceding the date of withdrawal plus employee contributions deducted and employer contributions made since the last day of the quarter preceding the date of withdrawal;

5) provides that the valuation of a member's balance in the Defined Contribution Fund for a member of the General Assembly who dies while a member of the General Assembly or after terminating service but before withdrawing the member's balance shall be the fair market value of the member's account on the last day of the quarter preceding the date of payment plus employee contributions deducted and employer contributions made since the last day of the quarter preceding the date of payment;

6) allows the withdrawal amount from the Defined Contribution Fund of the Legislators' Retirement System to be paid in a partial lump sum. (Current law allows the withdrawal amount to be paid in a lump sum, a

monthly annuity, or a series of monthly installment payments.);

7) requires the PERF Board to give participants in the Legislators' Retirement System information on the various forms of payments and the effects of various dates of withdrawal;

8) defines "public employer" or "employer" with respect to the legislative branch of state government for purposes of group insurance for public employees; and specifies that an employer may elect to permit former employees and their spouses (including surviving spouses) to continue participation in certain group health insurance benefits after the former employee or the spouse becomes eligible for Medicare;

9) specifies eligibility requirements for health insurance coverage for a former member of the General Assembly whose last day of service is after December 31, 2000;

10) requires the State Personnel Department to provide for at least two retiree health benefit plans for former employees of the state and the legislative branch of government, one of which must include prescription drug coverage comparable to a Medicare plan that provides prescription drug coverage.

Effective Date: (Amended) July 1, 2001; January 1, 2002.

Explanation of State Expenditures: (Revised) 1) This provision specifies that a retired member of the Legislators' Retirement System who is receiving a salary from the state may not also receive a retirement benefit. (Current law provides that a retired member who is receiving compensation from the state for work in any capacity may not receive a retirement benefit under the legislators' retirement system.).

Impact: This provision currently affects only one retired member of the Legislators' Retirement System. The impact is expected to be minimal.

2) This bill provides that a member of the Legislators' Retirement System may make a retirement fund investment selection or change a selection under rules established by the PERF Board and provides that the PERF Board shall allow a member to make a selection or change any existing selection at least once each quarter.

Impact: This will require re-programming costs which are expected to be minimal. The fund affected is the Investment Earnings Fund.

In addition, provisions 3, 4, 5, 6, and 7 (described in the Summary of Legislation, above) will require re-programming costs which are indeterminable at this time. The PERF is undergoing major computer and re-programming changes at the present time. The provisions of this bill will require the PERF to modify their current and planned system to incorporate the proposed changes contained in this bill.

10) This bill requires the State Personnel Department to provide for at least two retiree health benefit plans for former employees of the state and the legislative branch of government, one of which must include prescription drug coverage comparable to a Medicare plan that provides prescription drug coverage.

Impact: While the State Personnel Department currently administers the state employees health benefit plans, it does not administer an insurance program exclusively for state retirees (former employees of the state and the legislative branch of government). (Approximately 34,584 active state employees participate in the health plans administered by the Department. Also, 351 qualified state retirees participate in these plans.) Currently,

there are approximately 9,900 retired state employees who are Medicare-eligible and would be eligible for Medicare supplement coverage. Additional administrative expenses will be covered under the Department's existing budget.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Legislators' Retirement System; State Personnel Department; Legislative Branch of Government.

Local Agencies Affected:

Information Sources: Bill Butler, Director of PERF, 233-4133; Doug Todd of McCready & Keane, Inc., actuaries for PERF, 576-1508.

DEFINITIONS

Defined Contribution--A benefit program uses defined contributions when the rate of contribution of the employer (or employee) is fixed and the benefits to be received by employees after retirement are dependent to some extent upon such contributions. The type of defined contribution program most common among public employee retirement systems is the money purchase benefit program.

Lump Sum Distribution Payment within one taxable year of the recipient of the entire balance payable to him or her from a trust that forms part of a qualified pension or employee annuity plan on account of his or her death, separation from service, or the attainment of age 59 ½..

Fair Market Value The value of property established between a willing buyer and a willing seller in an arm's length transaction.